

# **Yellow Book Update**

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**14<sup>th</sup> Biennial Forum of Government Auditors**

**Providence, Rhode Island  
May 20, 2002**

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# **What is Proposed in the Yellow Book Exposure Draft?**

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- **Define the types of audits and services and the applicable standards**
  - **Consistent application of GAGAS where applicable**
  - **Additions or deletions to strengthen and streamline**
  - **Changes to improve understanding**
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# Types of Government Audits

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- **Financial Audits**
  - **Attestation Engagements**
  - **Performance Audits**
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# Financial Audits

- **What are financial audits?**
  - **Any audit covered under GAAS**
    - **Financial statement audits**

# Attestation Engagements

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- Internal control
  - Compliance
  - MD&A presentation
  - Allowability and reasonableness of proposed contract amounts
  - Final contract cost
  - Reliability of performance measures
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# Performance Audits

- Independent assessment of performance and management of entity, program, service, or activity against objective criteria
- Objectives include
  - program effectiveness and results
  - economy and efficiency
  - internal control
  - compliance

# Changes for Consistency

- **Financial audits**
- **Attestation engagements**
- **Performance audits**

# Changes in Requirements

- **General standards**
- **Field Work standards**
- **Reporting standards**



# Changes to General Standards

- **Professional judgment**
- **Competency**
- **Quality Control and Assurance**

# Changes to Field Work Standards

- **Audit documentation**

# Changes to Reporting Standards

- **Privileged & Confidential Information**
- **Form**
- **Report Contents**
- **Report Quality**

# **Privileged & Confidential Information**

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- **Permit auditor judgment to exclude reporting certain information**
  - **Deletes requirement to obtain assurance that a valid requirement exists for excluding certain information**
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# Form

- **Changes requirement from requiring written reports to requiring reports**

# Report Contents

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- **Requires reporting whether the results from a sample can be projected**
  - **Requires auditors develop the elements of a finding**
  - **Changes requirement to allow oral comments to be equally acceptable as written comments**
  - **Deletes the requirement to refer significant issues needing further study**
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# Report Quality

- **Moved timeliness standard to recognize as one element of report quality**
- **Deletes the requirement to report noteworthy accomplishments**
  - **Included as guidance under the Product Quality Standard-Objective**

# Changes for Understanding

- **New chapter on attestation engagements**



# What will the new chapter require?

## Additional field work standards

- Auditor communication
- Consider the results of previous audits and attestation engagements
- Audit documentation
- Internal control
- Fraud, illegal acts and other noncompliance

# What will the new chapter require?

- **Additional reporting standards**
  - **Reporting compliance with GAGAS**
  - **Reporting on internal control and on fraud**
  - **Views of responsible officials**
  - **Privileged and confidential information**
  - **Report issuance and distribution**

# What's next?

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- **Comments due April 30, 2002**
  - **Still accepting comments**
  - **Send to [yellowbook@gao.gov](mailto:yellowbook@gao.gov)**
- **Visit web site for highlights and products**
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